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87-2117X

5 October 1987

MEMORANDUM FOR THE RECORD

SUBJECT: Long-Term Care Plan for Federal Employees Introduced
in Senate.

1. Senator Peter Wilson (R. Calif.) introduced a Bill (S 1738) on 30 September 1987 which would allow Federal employees to convert part of thier Federal Employees Group Life Insurance (FEGLI) into long-term health care corverage Under the provisions of the Bill, employees would pay a premium each pay period and, after 10 years, be eligible for coverage for nursing home care. There would be a concomitant reduction of the death benefit under FEGLI.

2. A copy of the Bill is attached for comment.

Congressional Affairs

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Mr. President, in conclusion, I urge my colleagues to approve the appropriations ceiling increase for the Colorado River storage project. This project provides vast benefits to citizens in five States and is in keeping with our national policy of assisting in the development of badly needed water development projects. With this ceiling increase, the central Utah project can finally be completed after years of delays. For these reasons, Mr. President, I look forward to prompt approval of this legislation.

By Mr. WILSON (for himself, Mr. Dole, and Mr. Durenberger):

S. 1738. A bill to make long-term care insurance available to civilian Federal employees, and for other purposes; to the Committee on Governmental Affairs.

LONG-TERM HEALTH CARE INSURANCE FOR CIVILIAN FEDERAL EMPLOYEES

Mr. WILSON. Mr. President, it is time for the Congress and the administration to address the long-term health care needs of older Americans.

Very shortly those of us on this floor will consider a catastrophic illness bill. We are all familiar with the tragic phenomenon of older Americans being afflicted with the kind of illness that can literally in a matter of days wipe out the life savings of a family. That obviously is the situation that deserves and demands our immediate attention.

But earlier, Mr. President, in the course of moving legislation that had to do with the problem of gaps in Medicare coverage, I made the same interesting discovery as have so many others and that is, when so many older Americans very prudently seek to supplement their Medicare coverage hoping to find some way to provide themselves and their loved ones with nursing home care on an extended basis they found that not only are they uncovered by Medicare but that it is virtually impossible for many of them to obtain or to pay for the kind of long-term care which increasingly is a necessity for older Americans.

The good news is that our medicine and our general health care have expanded the life expectancy of many, many Americans, but with the increase in life expectancy we face the onset of troubling infirmities of the kind that more and more make an expectation for older Americans to spend some considerable time in a nursing home or requiring the visits to their own homes of health care professionals.

Mr. President, this we have discovered is the source of even greater anxiety among most older Americans than the fearful specter of catastrophic illness.

It is true that there are health insurance policies now on the market that since 40 companies write this insurance but it is prohibitively expensive because, Mr. President, it is based on individual rather than group experience. And as a result, a typical policy of that kind can cost \$4,000 in premiums per year—beyond the reach of most older Americans, and indeed beyond the reach of most Americans of any age.

It simply should not be that as we grow old, we are faced with the unacceptable choice between uncomfortable premiums and the worst prospect, of being without the kind of coverage that can lead to decent long-term care.

So I repeat, Mr. President, it is time for Congress and for the administration to focus upon this need and address it. It is not simply the problem of all of us who care about older Americans and their quality of life. There can be no decent quality of life, no golden years, for those who are stricken with the kind of anxiety that necessarily attends the present situation.

It is my hope and purpose that the bill I introduce today, with Senator Dole and Senator Durenberger, will provide a very significant way to address if not the totality of this need, a very large part of it. What we are seeking to do is to offer to Federal employees who are enrolled in a group life insurance plan the opportunity to convert a portion of the equity they have built up under that policy to pay for long-term care, either funding home care or home health care visits by health care professionals.

Mr. President, in the view of most older Americans, this is clearly the single greatest omission that we have found to exist in the 20 years of Medicare. Even with the more heartening developments of private and public health care initiatives, with corporate-sponsored health plans, with all the new approaches to long-term care, with all the emphasis on preventive medicine, still we find that too many older Americans are indeed growing older without adequate health care coverage. In order for them to avoid the debilitating doubt and anxiety that inevitably accompany growing older, without any idea of how they will be able to obtain this care and pay for it, I think this not only will provide peace of mind for those who are Federal employees eligible to participate, but also, I think that by this legislation we will offer a model that can induce participation by a number of private sector health care carriers to enter the market and provide this insurance.

Mr. President, the case of the University of Missouri, employees of the University of California. In short, Mr. President, I think we have an opportunity to do something not only for our own employees, but also to provide a means whereby a number of Americans, during their working years, can prudently plan for their own health care.

Obviously, a great benefit of this program would be that it would not—I emphasize would not—impose any crushing new expenditures on Federal taxpayers.

Mr. President, I ask unanimous consent that the bill be printed in the Record.

There being no objection, the bill was ordered to be printed in the Record, as follows:

§ 2138

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Chapter 87 of title 5, United States Code, is amended—

(1) in section 8204, by adding a new subsection (c) to read:

“(c) The Office shall provide optional group long-term insurance coverage for civilian employees in accordance with the following terms and conditions:

“(A) Consistent with the conditions, directions, and terms specified in section 8309 and 8712 of this title, the Office shall arrange for each qualified employee, as defined in paragraph (4) of this subsection, to have an opportunity to irrevocably convert a portion of the employee's basic insurance amount and associated accrued projected claims reserve funds, as determined by OPM, for purposes of group life insurance and accidental death and dismemberment insurance under this section to group long-term care insurance.

“(B) The long-term care insurer shall provide specified dollar reimbursements for a period of at least 1 year's duration to offset expenses related to nursing home and home health services required by the employee and may include additional benefits which the Office determines to be appropriate. The long-term care insurance shall, as the Office deems appropriate, offer employees more than one reimbursement plan from more than one insurer.

“(C) The Office shall determine appropriate employer contributions which will be payable for all periods during which long-term care insurance continues and will be withheld from any salary, compensation, or retirement annuity due an insured individual. Each employer's contribution rate under this subsection shall be determined by the employee's age at the time an election is made for purposes of this subsection, relative to such age and rate categories as the Office determines with adjustment provided for by paragraph (3) below, fully cover estimated long-term care insurance policy costs in excess of the actuarial value of the life insurance conversion amount.

“(D) The Office shall establish appropriate age and rate categories for qualified employees who wish to avoid the basic insurance conversion requirement and pay the full cost of group long-term care coverage.

added to the affected employee's individual contribution rate.

"(F) An active or retired employee may cease contributions under this subsection at any time, in which case the long-term care insurance shall terminate, with no restoration of converted group life insurance coverage.

"(2) Any employee who elects to convert basic life insurance to long-term care insurance as provided by paragraph (1) of this subsection shall retain a residual amount of the group life insurance and accidental death and dismemberment insurance authorized under this section which shall equal the greater of—

"(A) \$2,000, or

"(B) an amount representing the basic insurance amount generally available based on the employee's current annual rate of basic pay decreased by the life insurance conversion requirement established pursuant to paragraph (1) of this subsection on the date the employee elected long-term care insurance.

"(3) For purposes of this subsection, the Office shall specify the initial dollar amounts for the life insurance conversion requirement and, in consultation with insurers, determine the reimbursement rates for benefits under each long-term care insurance plan (including reasonable waiting periods for benefit commencement) and periodic employee contributions for self and for spouse coverage based on age categories of qualified employees as the Office considers appropriate. All amounts determined in accordance with this paragraph shall be subsequently adjusted on the effective date, and in accordance with the average percent of any change in pay rates for the General Schedule authorized under section 5305 of this title. Other adjustments of amounts under this paragraph may be made at such other times and in such amounts as the Office deems necessary and prescribes by regulation. The Office may, through negotiations with insurers, provide options that, by using other indexes, allow increases that exceed those of the General Schedule.

"(4) A qualified employee for purposes of this subsection is any employee who is subject to this chapter and who—

"(A) is in active service;

"(B) attains an age specified by regulations of the Office, which shall be no less than age 55;

"(C) is currently insured under this chapter and has been insured for a total of 10 years, or elects to make contributions for long-term care insurance without the benefit of the basic insurance conversion authorized by paragraph (1) of this subsection; and

"(D) has not transferred ownership of life insurance to another person under subsection 5706(e) of this chapter.

"(5) Unless otherwise provided by regulations of the Office, all elections involving employee insurance under this subsection must be made within a period which the Office shall specify that begins when each employee first becomes a qualified employee as described in paragraph (4) of this subsection."

"(2) in subsection 5706(a) —

"(A) by inserting "life insurance" immediately before "policy purchased"; and

"(B) by inserting the following sentences immediately after the first sentence: "An

"(7) by amending subsection 5707(c) to read:

"(c)(A) Except as otherwise provided by this subsection, the amount withheld from the pay, annuity, or compensation of each employee subject to insurance deductions under this section shall be at the rate, adjusted to the nearest half-cent, of 2 2/3 percent of the level cost as determined by the Office for each \$1,000 of the employee's basic insurance amount.

"(B) No employee withholding is required under this section, however, for any part of the basic insurance amount that is converted to long-term care insurance under subsection 5704(e) of this title."

"(8) by amending subsection 5708(a) to read:

"(a) Except as otherwise provided by this section, for each period in which an employee is insured under a policy of insurance purchased by the Office of Personnel Management under section 5709 of this title and is subject to withholding under section 5707 of this title, a sum equal to one-half of the general employee withholding specified under subsection 5707(c)(1) of this title shall be contributed from the appropriation or fund used to pay the employee. Contributions under this section shall be apportioned between basic life insurance and long-term care insurance amounts in the Employer's Life Insurance Fund if an employee has elected the basic insurance conversion permitted under subsection 5704(e) of this title."

"(5) in section 5708, by adding a new subsection (d) to read:

"(d) The sum required by subsection (a) of this section in the case of each employee who retires on immediate annuity or commences or ending compensation under subchapter I of Chapter 41 of this title after December 31, 1989, and who elects to retain insurance in accordance with 5705(b)(3)(A) of this chapter, shall be paid by the Office from annual appropriations which are hereby authorized to be made for that purpose and which may be made available until expended."

"(6) by amending subsection 5709(a) to read:

"(a) The Office of Personnel Management may, in its sole discretion and without regard to section 5 of title 41, United States Code, purchase from one or more duly licensed insurers a policy or policies to provide benefits specified by this chapter, including group life insurance, accidental death and dismemberment insurance, and long-term care insurance. For long-term care insurance, purchase will be through a competitive process among insurers who agree to accept liability for the benefits offered. To be eligible for consideration as an insurer under this chapter, an entity must meet the following requirements:

"(1) For purposes of group life and accidental death and dismemberment insurance, it must—

"(A) be licensed to transact such insurance in all the States; and

"(B) have in effect, on the most recent December 31 for which information is available to the Office, an amount of employee group life insurance equal to at least 1 percent of the total amount of employee group life insurance in the United States in all life insurance companies.

long-term care insurance, shall be determined separately with respect to each group, and financial soundness."

"(7) in subsection 5710(a) —

"(A) by inserting "life and accidental death and dismemberment" immediately after "total amount of"; and

"(B) by adding at the end thereof the following new sentence: "This section shall not apply to long-term care insurance authorized under subsection 5704(e) of this chapter."

"(8) by amending the fourth sentence of section 5712 to delete the word "life"; and

"(9) in the first sentence of subsection 5714(a) by inserting "5704(e) or" before "5707".

SEC. 2. This Act shall take effect on January 1 of the first year which begins at least 120 days after enactment.

Mr. DOLE. Mr. President, Senator Wilson is to be commended as this is a first step in helping to sort out answers with respect to the financing of long-term care. In many respects it is an experiment with a public/private sector solution to a very pressing need.

There is no additional cost to the Government, as the payments currently made to the life insurance policy would instead be applied to a long-term care policy. Therefore, there would not be an additional burden on the taxpayer. It would also be of benefit to the employee, as insurance needs change as an individual ages. Most importantly, the conversion would be optional and several plans will be offered, thus it would allow the employee a choice.

I have long been a proponent of public/private sector activity, and in fact I think that is the only way we will be able to develop a solution to the difficult and complex issue of the financing of chronic care. This plan will allow us to observe what options the public wants and needs, and it also allows the private sector to participate in the process.

This is a significant model for us to follow. Again, I am pleased to support this bill.

By Mr. KERRY:

S.J. Res. 193. Joint resolution to establish a bipartisan commission on Third World debt; referred to the Committee on Foreign Relations.

ESTABLISHMENT OF A BIPARTISAN COMMISSION ON THIRD WORLD DEBT

Mr. KERRY. Mr. President, today I am introducing a joint resolution that would establish a bipartisan commission on Third World debt. A companion resolution is being introduced in the House by Representatives FAUNTROY and GARCIA.

A bipartisan commission on Third World debt is needed to forge a consensus on an issue that for the last 5 years has cast a cloud over international financial relations, has stymied